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BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2003-295-W

In re: Application of Georgia Water and Well Services,)
Inc. for approval of a new schedule of rates and)
charges for water service provided residential)
customers in Timberlake I and Timberlake II)
Subdivisions and Port Bass I and Port Bass II)
Subdivisions, Oconee County, South Carolina)

PREFILED REBUTTAL
TESTIMONY OF DAVID
SHOEMAKER

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COMMISSION

Mr. David Shoemaker, being duly sworn, testifies as follows.

1 Q. Please state your full name and address.

2 A. David A. Shoemaker, 245 Christa Lane, Athens, Georgia.

3 Q. On whose behalf are you testifying?

4 A. I am testifying on behalf of Georgia Water and Well Services, Inc, which is
5 the Applicant or Petitioner herein. I serve as Secretary/Treasurer of the Company.
6 The Company purchased Water Systems, Inc. in January 1993, and has been
7 providing service under fixed rates and charges approved for Water Services, Inc.
8 by the South Carolina Public Service Commission in its Order No. 89-1131, dated
9 December 12, 1989, in Docket No. 89-232-W.

10 Q. Have you read and reviewed the Public Service Commission Staff's and
11 Intervenors' testimony and exhibits?

12 A. Yes I have.

13 Q. What are your comments concerning them?

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1 A. I would like to address and have corrected Staff's audit adjustments #3, #5, #7,
2 and #8 from the testimony of Sharon G. Scott of the audit department. I would
3 also like to comment on the Company's position in regards to prefiled
4 Intervenor's testimony.

5 **Q. Please explain the Company's position of PSC staff audit adjustment #3 on**
6 **page 5 of Sharon G. Scott's testimony.**

7 A. We believe the 10-year depreciation schedule of (\$2,034) for well pumps is not
8 correct in this case. Both of the items are well pump motors, and their life without
9 problems is not more than 5 years. Most of these motors are replaced yearly due
10 to lightning. A 10-year life cycle is an exception not the normal life cycle.

11 **Q. Please explain the Company position, concerning PSC staff audit adjustment**
12 **#5 of Sharon G. Scott's testimony on page 5.**

13 A. Our position is that the water line extension of (\$14,264) should be a 1-year
14 emergency maintenance expense not a 40-year depreciation expense. There were
15 communication problems involved between the Commission Staff and myself
16 regarding the necessity to install this line to begin with before we undertook the
17 work. The Company was pro-active in meeting customer complaints as a result of
18 several years of extreme drought conditions, creating reduced pressure problems
19 on major holiday weekends at high elevations in the supply system. The Company
20 installed a new line immediately at the insistence of DHEC and upon DHEC
21 approval the Company began to purchase water, as needed, from Pioneer Rural
22 Water District, which is our closest and most economic choice and our only
23 option. We do not believe, considering all the issues involved, that the line should

1 be depreciated over 40 years. In good faith we proceeded with the belief the
2 Commission would grant us some rate relief in this regard.

3 **Q. Please explain Company position on item #7 of PSC audit staff testimony of**
4 **Sharon G. Scott on page #6.**

5 A. We believe the management fee of \$47,590 is well justified as our prefiled
6 testimony explains. The Arringtons in their 1989 rate case received the \$1,800 per
7 month fee. The Arringtons had a staff of two people, basically a mom and pop
8 situation, managing and operating the company. The Arringtons subcontracted all
9 of there repairs and maintenance to Arrington Well Drilling. The Company has
10 over 7 employees in some degree of participation at all times involved in
11 managing and operating the SC systems. It. absorbs the majority of repair and
12 maintenance labor expense through the management fee. The Company only sub-
13 contracts large repair projects to other companies. If the Company were to revert
14 to a 2-employee SC company and all the costs associated with salaries, benefits,
15 insurance, rent, utilities, and supplies were expensed, this total would far exceed
16 the \$47,590 management fee requested by Georgia Water and Well Services, Inc.

17 **Q. Please explain The Company's position on item #8 of Sharon G. Scott's**
18 **testimony on page 7.**

19 A. First, the Company would like to request an Acquisition adjustment in the book
20 value of the plant to reflect the purchase price of \$161,278 in 1993. Second, we
21 would like to request the book value of plant to be increased to reflect the cost of
22 installation of 445 taps. As per our Exhibit (F) of our prefiled testimony, we
23 conclude \$670 is our cost of installation per tap for a total additional amount for

1 tap fee installation costs of \$298,150 to be placed in our plant book value. The
2 Company had viewed, in regards to federal tax returns, the tap fees as revenue and
3 the installation of the taps as a maintenance expense. PSC staff has concluded the
4 \$250 tap fee should be treated as a contribution in aid of construction and has
5 applied this debt against total plant book value without adding tap installation cost
6 to plant book value. The results of this led to a (\$35,160) reduction of the
7 Company's depreciation expense, and we believe this is an error.

8 **Q. Please explain the Company's position, concerning the prefiled Intervenor's**
9 **testimony.**

10 A. For the most part Intervenor's testimony has centered around DHEC rules and
11 regulations regarding operation, maintenance, sampling, and reporting of testing
12 results. At the end of every year the Company always received a satisfactory
13 rating from DHEC. There have been times DHEC has asked us to change or
14 improve areas, and we have always responded in a fast and appropriate manner.
15 Georgia Water and Well Services, Inc. has never been turned over to DHEC
16 enforcement for any rule violations. On February 10, 2004, DHEC conducted its
17 annual inspection of our systems, and found that all of the systems are operating
18 in full compliance with DHEC rules and regulations.

19 **Q. Does this conclude your rebuttal testimony?**

20 A. Yes it does.